

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. **0000837896-96-000003**

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FILER

ENEX 88 89 INCOME & RETIREMENT FUND SERIES 1 L P

CIK: **837896** | IRS No.: **760251410** | State of Incorporation: **NJ** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-17557** | Film No.: **96664693**
SIC: **1381** Drilling oil & gas wells

Mailing Address
*THREE KINGWOOD PLACE
SUITE 200
KINGWOOD TX 77339*

Business Address
*800 ROCKMEAD DR
THREE KINGWOOD PL
KINGWOOD TX 77339
7133588401*

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from.....to.....

Commission file number 0-17557

ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 1, L.P.
(Exact name of small business issuer as specified in its charter)

New Jersey
(State or other jurisdiction of
incorporation or organization)

76-0251410
(I.R.S. Employer
Identification No.)

Suite 200, Three Kingwood Place
Kingwood, Texas 77339
(Address of principal executive offices)

Issuer's telephone number:
(713) 358-8401

Check whether the issuer (1) has filed all reports required to be filed
by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for
such shorter period that the registrant was required to file such reports), and
(2) has been subject to such filing requirements for the past 90 days.

Yes x No

Transitional Small Business Disclosure Format (Check one):

Yes No x

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>

<CAPTION>

ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 1, L.P.
BALANCE SHEET

ASSETS

September 30,
1996

(Unaudited)

CURRENT ASSETS:

<S>	<C>	
Cash	\$	1,424
Accounts receivable - oil & gas sales		18,583

Total current assets	20,007

OIL & GAS PROPERTIES	
(Successful efforts accounting method) - Proved mineral interests	1,578,968
Less accumulated depletion	1,533,509

Property, net	45,459

TOTAL	\$ 65,466
=====	
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)	
CURRENT LIABILITIES:	
Payable to general partner	\$ 19,271

NONCURRENT PAYABLE TO GENERAL PARTNER	77,085

PARTNERS' CAPITAL (DEFICIT):	
Limited partners	(35,063)
General partner	4,173

Total partners' capital	(30,890)

TOTAL	\$ 65,466
=====	
Number of \$500 Limited Partner units outstanding	3,605

</TABLE>

See accompanying notes to financial statements.

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<TABLE>
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ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 1, L.P.
STATEMENTS OF OPERATIONS

(UNAUDITED)	QUARTER ENDED		NINE MONTHS ENDED	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
REVENUES:				
<S>	<C>	<C>	<C>	<C>
Oil and gas sales	\$ 2,946	\$ 6,280	\$ 29,224	\$ 26,545

EXPENSES:				
Depletion and amortization	(877)	18,721	16,177	38,113
Impairment of property	-	-	333,294	-
Production taxes	524	1,327	3,280	2,301
General and administrative	3,428	3,672	12,622	11,649

Total expenses	3,075	23,720	365,373	52,063

NET (LOSS)	\$ (129)	\$ (17,440)	\$ (336,149)	\$ (25,518)
	=====	=====	=====	=====

</TABLE>

See accompanying notes to financial statements.

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<TABLE>

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ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 1, L.P.
STATEMENTS OF CASH FLOWS

(UNAUDITED)

	NINE MONTHS ENDED	
	September 30, 1996	September 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net (loss)	\$ (336,149)	\$ (25,518)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depletion and amortization	16,177	38,113
Impairment of property	333,294	-
(Increase) decrease in:		
Accounts receivable - oil & gas sales	(4,594)	10,981
Receivable from affiliated limited partnership	-	(221)
(Decrease) in:		
Accounts payable	(2,502)	(3,050)
Payable to general partner	(5,275)	(13,868)
Total adjustments	337,100	31,955
Net cash provided by operating activities	951	6,437
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash distributions	-	(7,600)
NET INCREASE (DECREASE) IN CASH	951	(1,163)
CASH AT BEGINNING OF YEAR	473	4,171
CASH AT END OF PERIOD	\$ 1,424	\$ 3,008

</TABLE>

See accompanying notes to financial statements.

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ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 1, L.P.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. The interim financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for the interim periods.
2. The Financial Accounting Standards Board has issued Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires certain assets to be reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable. Prior to this pronouncement, the Company assessed properties on an aggregate basis. Upon adoption of SFAS 121, the Company began assessing properties on an individual basis, wherein total capitalized costs may not exceed the property's fair market value. The fair market value of each property was determined by H. J. Gruy and Associates Inc., (Gruy"). To determine the fair market value, Gruy estimated each property's oil and gas reserves, applied certain assumptions regarding price and cost escalations, applied a 10% discount factor for time and certain discount factors for risk, location, type of ownership interest, category of reserves, operational characteristics, and other factors. In the first quarter of 1996, the Company recognized a non-cash impairment provision of \$333,294 for certain oil and gas properties due to market conditions and reserve revisions on the Lake Decade acquisition, which indicated that the carrying amounts were not fully recoverable.

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Item 2. Management's Discussion and Analysis or Plan of Operation.

Third Quarter 1995 Compared to Third Quarter 1996

Oil and gas sales for the third quarter decreased to \$2,946 in 1996 from \$6,280 in 1995. This represents a decrease of \$3,334 (53%). Oil sales decreased by \$1,122 or 30%. A 5% decrease in average net oil prices reduced sales by \$154. A 26% decrease in oil production reduced sales by an additional \$968. Gas sales decreased by \$2,212 or 91%. A 115% decrease in the average gas sales price decreased sales by \$1,617. A 158% decrease in gas production decreased gas sales an additional \$595. The decrease in oil production was primarily due to seasonal decreases. The decrease in gas production was primarily due to higher production from the Corinne acquisition in the third quarter of 1995. The decrease in the average net oil sales price was primarily due to higher operating costs charged against the Company's net profits royalty properties, especially at the Bagley acquisition, which had a workover in the third quarter of 1996, partially offset by higher prices in the overall market for the sale of oil. The decrease in the average net gas sales price was primarily due to relatively higher production from the Corinne acquisition which has a lower gas sales price.

Depletion expense decreased to a negative \$877 in the third quarter of 1996 from \$18,721 in the third quarter of 1995. This represents an decrease of \$19,598 (105%). The changes in production, noted above, increased depletion expense by \$19,439. A 100% decrease in the depletion rate decreased depletion expense by an additional \$159. This rate increase was primarily the result of a relatively higher production from properties with a higher depletion rate coupled with a downward revision of the gas reserves during December 1995, partially offset by the lower property basis resulting from the recognition of a \$333,294 property impairment.

General and administrative expenses decreased to \$3,428 in 1996 from \$3,672 in 1995. This decrease of \$244 (7%) is primarily due to less staff time being required to manage the Company's operations.

First Nine Months in 1995 Compared to First Nine Months in 1996

Oil and gas sales for the first nine months increased to \$29,224 in 1996 from \$26,545 in 1995. This represents an increase of \$2,679 (10%). Oil sales decreased by \$874 or 9%. A 13% decrease in oil production reduced oil sales by

\$1,320. This decrease was partially offset by a 4% increase in the average oil sales price. Gas sales increased by \$3,553. A 26% increase in the average gas sales price increased sales by \$4,152. This was partially offset by a 4% decrease in gas production. The decrease in oil production was primarily due to seasonal production declines. The decrease in gas production was primarily due to lower production from the Corinne acquisition. The increase in the average net oil sales price was primarily due to workover expenses incurred on the Barnes Estate acquisition, on which the Company receives a net profits royalty. The increase in gas price is result of the overall market conditions for gas.

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Depletion expense decreased to \$16,177 in the first nine months of 1996 from \$38,113 in the first nine months of 1995. This represents a decrease of \$21,936 (58%). A 54% decrease in the depletion rate reduced depletion expense by \$19,374. A decrease in production noted above reduced expense an additional \$2,562. The decrease in the depletion rate was primarily due to the lower property basis resulting from the recognition of a \$333,294 property impairment in the first quarter of 1996.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires certain assets to be reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable. Prior to this pronouncement, the Company assessed properties on an aggregate basis. Upon adoption of SFAS 121, the Company began assessing properties on an individual basis, wherein total capitalized costs may not exceed the property's fair market value. The fair market value of each property was determined by H. J. Gruy and Associates Inc., ("Gruy"). To determine the fair market value, Gruy estimated each property's oil and gas reserves, applied certain assumptions regarding price and cost escalations, applied a 10% discount factor for time and certain discount factors for risk, location, type of ownership interest, category of reserves, operational characteristics, and other factors. In the first quarter of 1996, the Company recognized a non-cash impairment provision of \$333,294 for certain oil and gas properties due to market conditions and reserve revisions on the Lake Decade acquisition, which indicated that the carrying amounts were not fully recoverable.

General and administrative expenses increased to \$12,622 in 1996 from \$11,649 in 1995. This increase of \$973 (8%) is primarily due to more staff time being required to manage the Company's operations.

CAPITAL RESOURCES AND LIQUIDITY

The Company's cash flow from operations is a direct result of the amount of net proceeds realized from the sale of oil and gas production. Accordingly, the changes in cash flow from 1995 to 1996 are primarily due to the changes in oil and gas sales described above. It is the general partner's intention to distribute substantially all of the Company's available cash flow to the Company's partners.

The Company discontinued the payment of distributions during 1995. Future distributions are dependent upon, among other things, an increase in prices received for oil and gas. The Company will continue to recover its reserves and distribute to the limited partners the net proceeds realized from the sale of oil and gas production. Distribution amounts are subject to change if net revenues are greater or less than expected. Future periodic distributions will be made once sufficient net revenues are accumulated.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders.

Not Applicable

Item 5. Other Information.

Not Applicable

Item 6. Exhibits and Reports on Form 8-K.

(a) There are no exhibits to this report.

(b) The Company filed no reports on Form 8-K during the quarter ended September 30, 1996

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENEX 88-89 INCOME AND
RETIREMENT FUND - SERIES 1, L.P.
(Registrant)

By: ENEX RESOURCES CORPORATION
General Partner

By: /s/ R. E. Densford
R. E. Densford
Vice President, Secretary
Treasurer and Chief Financial
Officer

November 13, 1996

By: /s/ James A. Klein

James A. Klein
Controller and Chief
Accounting Officer

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